

# Reviving wind markets and delivering on our 2030 objectives

THE EUROPEAN WIND INDUSTRY'S RESPONSE TO THE EUROPEAN  
COMMISSION'S PROPOSALS ON A GOVERNANCE REGULATION AND A  
RENEWABLE ENERGY DIRECTIVE

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**Wind**<sup>•</sup>  
**EUROPE**  
[windeurope.org](http://windeurope.org)

# INTRODUCTION

Wind energy will be key in delivering a decarbonised power sector by 2050. Today wind energy can meet 10.4% of the EU's electricity demand. And in 2030 it meets 23.9% of the EU's electricity demand, making wind the largest contributor to the 2030 EU renewable energy target<sup>1</sup>. The sector is strategic for the EU economy with over €150 bn invested since 2010. The industry has continuously reduced costs to make wind energy a competitive energy source. Onshore wind is today the cheapest new power generation technology in Europe<sup>2</sup>. Offshore wind has proven it can be in the same cost range as conventional power generation and will continue to reduce costs with the right project pipeline<sup>3</sup>.

A reliable European renewable energy strategy is needed to create a business case for wind energy beyond 2020. WindEurope welcomes the spirit of the European Commission's proposals for a new Governance Regulation and a recast Renewable Energy Directive. But it considers that Member States and the European Parliament should raise ambition towards a collective EU renewables target of at least 35% to make full use of the economic potential the energy transition offers.

Higher policy ambition in the post-2020 period makes clear economic sense. Under a robust regulatory framework the wind industry will deliver significant benefits to the European economy in 2030:

- €87 bn of gross value added;
- 18.7% in cumulative fossil fuel savings, amounting to €11.5 bn;
- 36.3% of CO<sub>2</sub> emissions reduction over 1990 levels, removing an extra 111.6 Mt CO<sub>2</sub> compared to business-as-usual scenario;
- a total of 366,000 direct and indirect jobs in the wind industry alone.

The post-2020 EU energy legislation must act as a spine for a higher collective 2030 renewables target and position the EU as a global leader in renewables. To that end, WindEurope calls on the co-legislators to amend the Governance Regulation and the recast Renewable Energy Directive as follows:

## Positive points

- First national plans by 1 January 2019;
- Linear national renewable energy deployment trajectories from 2021-2030;
- A binding template for national energy and climate plans;
- At least 3-year schedule for the provision of public support to renewable energy;
- Investment protection clause;
- Simplified administrative and permitting provisions for new and repowered projects, and PPAs.

## Needs improvement

- A binding EU-wide renewables target of at least 35% by 2030;
- National renewable energy benchmarks providing a fair and transparent delivery of the 2030 target;
- Clear measures incentivising ambitious national 2030 renewable energy policies from the onset;
- A trigger mechanism, actionable as of 2020, to secure target delivery;
- Member States design tenders according to different technology profiles;
- Renewable energy producers retain control of Guarantees of Origin;
- Decarbonisation across sectors is further enabled.

<sup>1</sup> European Commission, SWG(2014)15 final, [Impact Assessment to 2030 climate and energy framework](#)

<sup>2</sup> BNEF, Levelised Cost of Electricity Update – H2 2015. In Germany, onshore costs \$80/MWh compared to gas at \$118/MWh and coal at \$106/MWh. In the UK, onshore costs \$85/MWh compared to \$115 for CCGT and \$115 for coal-fired installations.

<sup>3</sup> WindEurope, [The European offshore wind industry – key trends and statistics 2016](#)

## SETTING APPROPRIATE AMBITION LEVEL

With a modest 27% renewable energy target in final energy demand by 2030, the EU is postponing decisive actions to the post-2030 period. The 2030 Climate and Energy Framework needs to reflect the latest market realities, be data-driven, more ambitious and coherent to reinforce the momentum on cost reductions and support Europe's renewables industry.

The proposed target level is out of touch with the state of the technology. The modelling underpinning the 2030 Climate and Energy framework and the Clean Energy Package do not reflect the considerable cost reductions in wind energy technologies, in particular offshore wind. For instance, the 2016 PRIMES Reference Scenario forecasts the cost (LCOE) for offshore wind to reach €90/MWh by 2050. The Commission's modelling clearly underestimates the ability of some European markets to deliver on lower prices. The 2016 offshore tenders in the Netherlands and Denmark – the latter resulting in a strike price of €49.9/MWh – demonstrate that under a regulatory framework fit for the national wind potential, significant cost reductions can be achieved.

Even with outdated data, the European Commission's own calculations confirm that a more ambitious approach to renewables and energy efficiency are a better deal for the European economy compared to a 27% target level.

The European Commission scenario with a 30% renewables target add a substantially higher net benefit of 568,000 jobs and €260bn savings on fossil fuel imports<sup>4</sup>. A higher target level for renewables and energy efficiency targets accelerate the transformation of the energy system as they offer a higher reduction of energy system costs by 2050. A higher target level also ensures a more even distribution of renewable energy installations across EU Member States, in line with the collective responsibility for delivering the 2030 renewables target<sup>5</sup>.

The proposed target level also fails to respond to the ambitious deployment level in non-EU markets driven by the Paris climate agreement. European manufacturers have a 49% share of non-EU wind turbine markets. And Europe's total exports of renewables equipment and technology are worth €35bn per year, with wind playing a major role. To continue this, Europe must ensure its domestic renewables sector remains strong. This requires a vibrant home market with strong policy ambition.

WindEurope calls on the Member States and the European Parliament to raise the EU's renewable energy target for 2030 to at least 35%. When increased to at least 35%, the EU can tap into wind energy's ability to deliver the full economic potential of the energy transition to European citizens and businesses.

In addition to an increased renewables target, a revised EU ETS system should provide the flexibility to balance demand and supply in the carbon market. An enhanced Market Stability Reserve needs to correct the supply of allowances in times of low demand caused by the accelerated transition to clean energy.

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<sup>4</sup> European Commission, 2030 climate and energy package impact assessment, SWD(2014) 15 final

<sup>5</sup> European Commission, [Impact Assessment to the proposal for a Renewable Energy Directive](#), SWD(2016)418 & [Impact Assessment to the proposal for an Energy Efficiency Directive](#), SWD(2016)405

# MEETING THE 2030 TARGET THROUGH A ROBUST GOVERNANCE SYSTEM

## 1. SECURING RELIABLE AND FAIR NATIONAL RENEWABLE ENERGY CONTRIBUTIONS

Investors need visibility on the post-2020 market volumes today to ensure the cost-effective achievement of the 2030 target. WindEurope trusts the co-legislators will agree upon the Governance Regulation at the latest by 2018 to avoid an investment gap.

A straightforward and robust investment sharing mechanism is necessary if investors are to rely on EU renewables policies. The mechanism should outline transparent and fair national responses to the collective renewables target that Member States have set upon themselves in October 2014<sup>6</sup>.

To that end, the recast Renewable Energy Directive should outline national benchmarks for each Member State, which aggregated, amount to the collective binding target. The benchmarks should be based on Member States' GDP and renewable energy potentials as proposed in the Renewable Energy Directive Impact Assessment<sup>7</sup>. Taking into consideration the indicative benchmarks, Member States will set their self-defined national contributions to the 2030 target in the finalised 2030 national energy and climate plans by 1 January 2019.

Renewables deployment in Member States between 2021-2030 must follow a linear trajectory. This must prevent a backloading of national renewable energy efforts to the last years of the next decade and an uncertain wind project pipeline. The exclusion of any downward revision of the national renewable energy contributions during the 2023-2024 review of national plans will be an opportunity for the EU-28 to outperform the collective 2030 target. To ensure the transparent delivery of national renewable energy contributions, the post-2020 Directive should clarify the methodology for calculating the contribution of the heating and cooling sector to the renewables share in gross final energy consumption (%).

### Positive elements

- National renewable energy deployment trajectories must be linear from 2021 to 2030 (Article 4);
- 2020 national targets are starting point for 2030 national contributions to the EU target (Article 4).

### Needs improvement

- The Renewable Energy Directive should include national benchmarks for a fair delivery of the target. These benchmarks should be referenced in the Governance Regulation and serve as a basis for the 2030 national planning process.

## 2. REINFORCING THE TRIGGER MECHANISM

The design of the trigger mechanism should be fine-tuned to provide certainty for investors on how additional renewable energy volumes will fill a potential gap and beat the 2030 target.

The Governance Regulation should define a single trigger instrument, financed by all Member States and actionable as of 2020. This instrument could take the form of a revamped and renewables-dedicated European Fund for Strategic Investments (EFSI) aimed at bringing down the capital costs of renewable energy projects. The fund should prioritise the deployment of projects in Member States with higher regulatory risk and/or renewable energy projects of regional significance.

<sup>6</sup> European Council, [Conclusions on a 2030 EU climate and energy framework](#), October 2014

<sup>7</sup> [Impact Assessment to the proposal for a Renewable Energy Directive](#), SWD(2016)418, p. 172

If the sum of Member States' contributions, outlined in their national plans in 2019, amounts to the 2030 target, the fund will be used to deliver additional renewable energy projects at the lowest cost. If the Member States' national plans in 2019 do not amount to the 2030 target, the fund will fill the gap. If, by 2024, the sum of the national contributions falls short of the 2030 target, the indicative benchmarks outlined in the Renewable Energy Directive should become binding at national level.

To realise this fund, the European Commission, which is responsible for target delivery, should set a uniform installment for all Member States. The increase/decrease of the uniform installment per Member State will be calibrated proportionately to the countries' over/under-pledging on the indicative benchmarks. The discount on the installment is the contribution credit Member States receive for their ambitious renewable energy pledge.

#### Needs improvement

- The Governance Regulation establishes a single trigger mechanism (Article 27);
- The trigger mechanism is actionable as of 2020 (Article 27).

### 3. PROVIDING EARLY NATIONAL PLANS WITH A BINDING TEMPLATE

Investors need visibility on the post-2020 market volumes already today to ensure the cost-effective achievement of the 2030 target. The national energy and climate plans (NECPs) should therefore be finalised by 1 January 2019 and revised as early as 2024.

The public and regional consultations, as well as the close cooperation between Member States and the European Commission on NECPs are also a key step to a more European approach to energy policy. Consultation between different stakeholders are instrumental for the coordination and implementation of offshore wind projects in the North Seas' and the Baltic Sea. However, the industry insists that regional consultations do not delay the delivery of national plans.

WindEurope welcomes the standardised and binding draft template for national plans which allows for comparability and enforceability of Member States' contributions to the 2030 target. Overall, the industry considers appropriate the level of detail in the draft template, in particular the references made to repowering, the electrification of transport and concrete timeframes for market coupling.

#### Positive elements

- Member States should submit their first 2030 national plans by 1 January 2019 (Article 13);
- Member States should update, if necessary, their national plans by 1 January 2024 (Article 13).

#### Needs improvement

- The draft template for national plans incorporates the 3-year renewables support schedule set in Article 15(3) of the recast Renewable Energy Directive;
- Member States outline policies to increase the flexibility of their energy systems in national plans.

### 4. ENSURING OVERSIGHT ON TARGET DELIVERY

By agreeing a 2030 binding target for renewable energy at EU level in October 2014, the European Council gave a clear mandate to the European Commission to ensure target delivery. The Commission needs a strong oversight over Member States' progress towards the 2030 target and should be granted legal tools to intervene in case of counter-productive measures to national regulatory frameworks.

The industry considers that the monitoring powers of the European Commission outlined in Articles 9(3) and 28 of the Governance Regulation are insufficient to guarantee a smooth delivery of the 2030 target. The proposed non-binding recommendations of the European Commission on national plans do not provide any legal certainty to investors that potential harmful national policies will be addressed in time to deliver on the EU binding energy objectives. A mandatory intervention of the European Commission at every reporting cycle will be able to pre-empt the activation of the gap-filling measures.

#### Needs improvement

- The European Commission's recommendations on national plans become binding for the areas with 2030 binding headline targets (Articles 9 & 28).

## MEETING THE 2030 TARGET THROUGH ENABLING MEASURES IN THE RENEWABLE ENERGY DIRECTIVE

### 1. INCENTIVISING AMBITION

Detailed provisions on national indicative benchmarks and a clear trigger mechanism in the Governance Regulation should serve to incentivise early efforts from Member States. Article 3(4) of the recast Renewable Energy Directive should outline additional gap-avoiding measures envisaged by the European institutions as well as a list of the EU funds which would support renewables in the post-2020 period. The article should provide conditionality for EU funds to be directed to those Member States that strive to outperform their renewable energy benchmarks.

The upcoming revision of the EU Multi-Annual Financial Framework for the period 2021-2027 should put a growing emphasis on renewable energy-related expenditure.<sup>8</sup> Gap-avoiders could also include increased and facilitated access to structural funds, NER400 funding and financing from the European Investment Bank for renewable energy projects. Financial support from existing funds (e.g. ETS Modernisation Fund) should only be granted if Member States comply with their renewable energy pledges and give their fair share in achieving the 2030 target.

#### Needs improvement

- List the EU funds to support higher renewable energy ambition from Member States (Article 3);
- Conditions for the allocation of EU funds in priority to ambitious Member States (Article 3).

### 2. PROVIDING EFFECTIVE SUPPORT SCHEMES

The design of support schemes, currently dealt with under the State aid guidelines, leads to regulatory uncertainty for investors. The Renewable Energy Directive should clarify and outline general principles on the design of support mechanisms beyond 2020. It should also establish the right hierarchy between European normative documents. Dealing with the general design principles for support schemes would offer a longer-term predictability to investors. As a supporting document to the implementation of the Directive, the State aid guidelines for the post-2020 period should not create new rules but be fully aligned with the revised sectorial legislation.

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<sup>8</sup> WindEurope, [Wind energy: backbone of the EU's global leadership in renewables](#), September 2016

The European wind industry calls on the co-legislators to affirm the ability of Member States to design support mechanisms according to renewable energy technology characteristics (e.g. cost, size, risk profile, project lead time) and national market considerations. In particular, Member States should be able to recur to technology-specific tenders to support renewable energy projects. They enable countries to plan their energy transition, give clear signals to investors about the desired national energy mix and keep a balanced energy system. This approach will ensure the most cost-effective deployment of a broad portfolio of renewable energies and will drive further cost reductions in maturing technologies such as offshore wind.

The proper design of auctions is of crucial importance in attracting investments in wind energy beyond 2020. WindEurope welcomes the proposed 3-year schedule for public support, set out in Article 15(3) and believes it should be incorporated in Article 4 of the Directive and the template for national plans in the Governance Regulation. The long-term visibility on planned renewable energy support will be crucial for investors to plan ahead projects pipelines, steer innovation and job creation. It should be duly reflected in the template of national energy and climate plans.

The industry also considers that Article 4(4) should be clarified. Although the assessment of national support schemes could serve to inform Member States of the best regulatory options for the deployment of renewable energy, this assessment should not result in abrupt, or retroactive, changes to the existing national support policies. Any modification to support mechanisms should be announced in advance and consulted with national stakeholders.

#### Needs improvement

- Member States design tenders according to different technology profiles;
- The assessment of support schemes will not result in unforeseen modifications to support schemes;
- 3-year public support schedule is moved from Article 15(3) to Article 4 and included in the template for national plans in the Governance Regulation.

### 3. SETTING OUT A BOTTOM-UP REGIONAL APPROACH

WindEurope favours a bottom-up, regional approach to wind deployment resulting from the cooperation by Member States with the European Commission acting as a facilitator. The political commitment and clear statement of intent from Member States gives confidence to the wind energy investors. The Memorandum of Understanding and detailed Work Programme for regional cooperation in offshore wind in the North Sea, signed by 11 countries in 2016, offers a clear blueprint for future regional initiatives. To further enable the bottom-up dimension of regional cooperation, the Renewable Energy Directive should outline concrete options for regional cooperation, including joint projects, joint support schemes and a financial contribution to the EU-fund supporting projects of regional significance.

The industry considers that the mandatory opening of support schemes would be counterproductive and result in strong opposition from EU governments to cooperate considering the sensitivity of granting public money expenditure to foreign renewable energy installations and the additional administrative burden for national authorities.

In addition, the proposed opening thresholds, 10% between 2021-2025 and at least 15% between 2026-2030, are unfit for big infrastructure projects such as offshore wind. Dedicating a small portion from a main offshore site to tenders not only increases the administrative burden for developers but impedes economies of scale and makes the site less attractive for investment. The compulsory opening of support schemes is also at odds with the EU non-binding 15% interconnectivity target for 2030 which, if not applied, could obstruct the physical flow of renewable electricity between Member States.

#### Needs improvement

- The opening of support schemes to foreign installations should be voluntary (Article 5).

## 4. REINFORCING INVESTMENT PROTECTION

WindEurope welcomes the inclusion of an investment protection clause in the recast Renewable Energy Directive. The rule of law principle underpinning investor protection<sup>9</sup> will be key in keeping investments in the EU and guaranteeing the economic viability of existing assets.

However, the clause is weakened by the allowed modifications under State aid guidelines provisions. The wording of the article should clarify that even when support schemes are modified to comply with state aid rules, the rights conferred to existing assets will remain intact. When support for renewable energy installations is allocated in a tender system, the support level must remain stable throughout the lifetime of the installation.

#### Needs improvement

- Financial support granted through new state aid rules should not affect existing assets (Article 6).

## 5. STREAMLINING ADMINISTRATIVE AND PERMITTING PROCEDURES

WindEurope welcomes the provisions supporting greater simplification of administrative and permitting procedures for renewable energy projects. In particular, the industry expects that the establishment of a single administrative contact point per Member State (or more in federal states) will diminish the administrative burden for wind developers, will expedite the application process and will ensure a better coordination between multiple authorities in the case of onshore wind.

The industry supports the proposed 3-year deadline for permitting as long as it also covers potential legal appeals to wind energy projects. Failure to address legal challenges will signify that the lead times for granting a permit to wind energy projects<sup>10</sup> will effectively not be improved from the current regulatory framework and existing obstacles will persist in the post-2020 period.

The industry fully supports the emphasis given by the Directive to corporate power purchase agreements (PPAs). Removing administrative barriers for PPAs on national level will allow corporate consumers to contract renewable electricity at competitive prices.

#### Needs improvement

- Removal of administrative barriers to corporate PPAs (Article 15);
- Establishment of a single administrative contact point for the permit granting process (Article 16);
- The 3-year permit granting deadline should include potential legal appeals (Article 16).

## 6. ENABLING REPOWERING

An estimated 76 GW of the EU's onshore and offshore wind energy capacity will come to the end of their operational life between 2020 and 2030. These decommissioned wind energy assets will not count for the delivery of the 2030 target.

<sup>9</sup> WindEurope, [Statement of the Investment Protection Coalition](#), September 2016

<sup>10</sup> EWEA, [WindBarriers](#), 2010 – the average administrative lead time for onshore wind projects is 54,8 months. In some EU Member States take as long as 76 months, excluding potential legal appeals.



The repowering of wind assets in the post-2020 period presents a clear opportunity for modernising the European wind fleet with the newest technology available. Repowered projects optimise energy output with comparatively less land use while preserving local job creating and revenues for municipalities.

A pro-active approach to repowering will help make the EU an example for successful management of the energy transition. Member States should ensure that repowering projects are provided with a clear path-to-market and a regulatory framework that puts them on a par with new projects.

The provisions included in the proposal will help remove unnecessary barriers. The one year deadline for granting permits to repowered projects in Article 16 alongside the outlined simple notification procedure in Article 17 must remain intact. They guarantee that in the post-2020 period, Member States will be able to harness higher share of wind energy at the best wind sites to the benefit of European consumers.

#### Positive elements

- The simple notification procedure and the 1-year permit granting deadline for repowered plants (Article 15(5) & 16).

## 7. IMPROVING THE GUARANTEES OF ORIGIN SYSTEM

WindEurope welcomes the proposed full disclosure of all renewable energy generated in Europe (with and without support) through the improved system of Guarantees of origin (GOs) in Article 19.

However, the wind industry disagrees with the current provision that will not allow renewable energy producers that received financial support to retain their GOs. Giving those GOs to the government for centralised auctions would break the link between the renewable energy production of an installation and a client that is interested in that specific production. This means that many active renewable market players will not be able to continue with their “asset-to-client” strategies, losing the value that GOs provide to renewable energy producers. WindEurope therefore calls for a deletion of the respective provision in Article 19(2).

WindEurope believes that all renewable energy producers should receive a GO for every kWh generated, under the condition that only those GOs associated to electricity that has not received any financial support would be marketable.

WindEurope considers that the system should be compulsory for all EU Member States and should be based on a uniform methodology to prevent double-counting.

#### Needs improvement

- Renewable energy producers are allowed to retain their GOs regardless of whether the production is subsidised or not (Article 19);
- The GOs system is extended to all production sources and to all Member States (Article 19);
- The GOs system is based on a uniform calculation methodology (Article 19).

## 8. PRIORITISING DECARBONISATION ACROSS SECTORS

WindEurope is disappointed by the lack of strategic vision in the Winter Package with regard to the potential of renewable electricity in the transport and heating and cooling sectors. The proposed suppliers’ obligation fails to recognise the increasing role of electric and fuel cell vehicles, hydrogen solutions and their potential in helping the EU long-term decarbonisation objectives.

WindEurope calls on the co-legislators to recognise the potential contribution of electric vehicles to the decarbonisation of the transport sector by increasing the suppliers’ obligation to 10%.

The way renewable electricity counts towards the transport sector target, i.e. depending on the renewable energy share in the power sector, is inaccurate and will not incentivise producers to invest and/or use renewable electricity. Suppliers should be allowed to provide 100% renewable electricity should they wish to do so. They could purchase the electricity directly from renewable energy producers and use the GOs to demonstrate the origin of the electricity to their customers and to count towards their renewables obligation.

#### Needs improvement

- Increase the suppliers' obligation to 10% (Article 7(4));
- Modify the way renewable electricity is counted towards the suppliers' obligation (Article 25).